



# SLIATE

SRI LANKA INSTITUTE OF ADVANCED TECHNOLOGICAL EDUCATION

(Established in the Ministry of Higher Education, vide in Act No. 29 of 1995)

## Higher National Diploma in Management 1<sup>st</sup> Year, First Semester Examination – 2017 MAN1104 - Maintaining Financial Records

Instructions for Candidates:

Answer 05 Questions, including Question 01 and 02

No. of questions : 06

No. of pages : 07

Time : 03 Hours

### Question 01

- (i) List out, the accounting process (03 Marks)
- (ii) Mention five users (stakeholders) of accounting information with their information needs (05 Marks)
- (iii) List out four basic qualitative characteristics of accounting information (04 Marks)
- (iv) State, two underlying assumptions of accounting (02 Marks)
- (v) Identify source documents and prime entry books for the given transactions.

No.	Nature of the Transaction	Source Document/s	Prime Entry Book
01	Cash Receipts and cash Payments		
02	Credit Purchases		
03	Credit Sales		
04	Return Inwards		
05	Return Outwards		

(05 Marks)

- (vi) Following are some transactions that occurred in the newly formed Nimal Enterprises.

- a) Nimal Invested a sum of Rs. 1,000,000/- in the business
- b) Purchased office furniture to the value of Rs. 75,000/- on cash
- c) A bank account was opened and deposited Rs. 500,000/-
- d) Purchased goods from Kamal Enterprises on credit for Rs. 150,000/-
- e) Nimal borrowed sum of Rs. 200,000/- from the bank
- f) Paid Salaries for the staff Rs. 25,000/-

**Required:**

Record each transaction in the accounting equation given below.

	Office Furniture	+ Stocks	+ Bank Balance	+ Cash	=	Capital	+ Bank Loan	+ Trade payables
a)								
b)								
c)								
d)								
e)								
f)								

**(Total 25 Marks)****Question 02**

The Trial Balance extracted from Upul Trading Company as at 31.03.2017 is given below.

Account Name	Dr. (Rs.)	Cr. (Rs.)
Inventory (as at 01.04.2016)	4,500,000	
Purchases	9,000,000	
Return Inwards	1,500,000	
Return Outwards		2,000,000
Carriage inward	300,000	
Distribution expenses	200,000	
Cash at bank	1,350,000	
Cash in hand	650,000	
Discounts allowed	600,000	
Discounts received		1,000,000
Building rent	350,000	
Salaries	1,200,000	
Insurance	900,000	
Machinery	7,500,000	
Furniture and fittings	2,700,000	
Provision for depreciation at 01.04.2016;		
Machinery		600,000
Furniture and fittings		140,000
Trade debtors	3,500,000	
Trade creditors		4,500,000
Provision for bad and doubtful debt		130,000
Capital		4,850,000
Drawings	1,000,000	
Sales		17,030,000
Bank Loan		5,000,000
<b>Total</b>	<b>35,250,000</b>	<b>35,250,000</b>

**Additional information;**

- a) Inventory is valued at 31.03.2017 as Rs. 2,800,000.
- b) Depreciation should be allocated on straight line method as follows ;  
Machinery - 5%  
Furniture and fittings - 10%
- c) Bad debt to be written off Rs.140, 000 and 5% provision should be provided for doubtful debt on net trade debtors.
- d) Prepaid insurance at 31.03.2017, is Rs.150, 000.
- e) Accrued expenses at 31.03.2017;  
Salaries - Rs. 350,000,  
Building Rent - Rs. 150,000
- f) 5% interest have to be paid for the bank loan

**Required;**

- Trading profit and loss account for the year ended 31.03.2017
- Balance Sheet as at 31.03.2017

**(Total 30 Marks)**

**Question 03**

- (i) Gayan Company is a dealer in wooden furniture. Credit sales and related transactions of the company during the month of March 2017 are given below.

<b>Date</b>	<b>Transaction</b>
03.03.2017	Sold five cupboards to Nilantha Ltd for Rs.25,000 each.
04.03.2017	A bed with a displayed selling price of Rs. 32,000 was sold to Shakthi . a 5% trade discount was allowed in selling this bed.
07.03.2017	Nilantha Ltd returned one damaged cupboard
10.03.2017	Sold 10 Chairs to Susantha for Rs.4,000 each.
12.03.2017	Received cash from Shakthi.
16.03.2017	Sold two Dining tables to Chathuranga Ltd. The displayed selling price of a table was Rs. 28,000. A trade discount of 10% was allowed in selling these tables
20.03.2017	Received cash from Nilantha. In receiving cash a 5% discount was allowed.
25.03.2017	Cash Received from Susantha.

**Required;**

- Record above transactions in the relevant Prime Books and transfer them to the ledger accounts.

**(10 Marks)**

- (ii) Sunil Traders controls its petty cash payments on imprest system. The imprest amount is Rs.2,000. The petty cash on hand on 01 June 2017 was Rs.240. Following is a summary of the petty cash transactions for June 2017.

June		Rs.
01	Petty cash restored to imprest	
05	postage expenses	50
06	Stamps Purchased	180
09	Stationary purchased	350
10	Travelling expenses	230
15	Cleaning	75
20	Wages	250
28	Paid to Kamal (A creditor)	300
29	Wages	225
30	Three Wheel Charges	180

**Required;**

- Prepare Petty Cash book for the month of June 2017 with analysis columns for expenditure on Postage, Stationary, Cleaning, Wages, Travelling and Ledger.

(05 Marks)

**(Total 15 Marks)**

#### Question 04

(i) The bank account of the Sandareka Stores shows a debit balance of Rs.35,000/- as at 31<sup>st</sup> March 2017. But the balance as per the Bank Statement showed a favorable balance of Rs. 64,700/- at the same date. Upon investigation, the following facts were revealed.

- a) Cheques issued to customers for Rs.52,500/- not presented for payment
- b) Rs.12,500/- received as interest for fixed deposit credited to the bank account directly.
- c) The total value of cheques deposited on the bank on 30<sup>th</sup> March not appeared in the bank statement, was Rs. 31,900
- d) Rs.850/- has been debited as debit tax for the month.
- e) Rs.550/-has been charged as bank charges.
- f) Total of the credit side of the cash book has been under cast by Rs.2,000/-

#### Required;

- Adjust the bank balance as per the cash book.
- Prepare the bank reconciliation statement for the month of March 2017.

(07 Marks)

(ii) The trial balance of Joy and company did not balance. The difference 1,000 was credited to a suspense account. Later, the following errors were found.

- a) A credit sales of Rs.2,000 has been credited to the sales account and also to the relevant debtor's account.
- b) Goods sold to a customer during the year amounting to Rs.4,500 had been returned. No entry was made in respect of this in Return Inward Journal.
- c) A Payment of Rs.2,500 to a supplier wrongly credit to the supplier's account.
- d) The sales account had been under casted by Rs.7,000
- e) Although the interest income received Rs.3,300 was recorded correctly in the cash book it was posted into the interest income account as Rs.300.

#### Required;

- Journal entries to rectify the above errors
- Suspense account

(08 Marks)

(Total 15 Marks)

### Question 05

The following information is extracted from the books of Rex Ltd, a manufacturer of refrigerators, for the year ended 31<sup>st</sup> March 2017.

Item	Rs.
<b>Stock as at 01.04.2016</b>	
- Raw materials	150,000
- Work-in-progress	38,000
- Finished goods	245,000
Purchase of raw materials	750,000
Carriage inward	7,000
<b>Wages</b>	
- Direct	120,000
- Indirect	150,000
Indirect Material	28,000
<b>Rent</b>	
-Factory	46,000
-Office	42,000
<b>Insurance</b>	
-Factory	35,000
-Office	40,000
<b>Electricity</b>	
-Factory	64,000
-Office	32,000
Factory Supervision	80,000
Machinery -Cost	250,000
Sales	1,450,000

#### Additional Information;

a) Stocks as at 31.03.2017

- Raw material Rs.85,000
- Work-in-progress Rs.42,000
- Finished goods Rs. 325,000

b) Accrued Factory Supervision as at 31<sup>st</sup> March 2017 was Rs. 4,000.

c) Machinery is depreciated at 10% annually on straight line method.

#### Required;

- Prepare Manufacturing and Trading Account for the year ended 31<sup>st</sup> March 2017, showing clearly the following information
  - Prime Cost
  - Production cost
  - Gross Profit

(15 Marks)

**Question 06**

- (i) State two differences between Receipts and Payments account and Income and Expenditure account  
(02 Marks)
- (ii) Summarised Receipts and Payments account of Kegalle Swimming Club for the year ended 31st March 2017 was as follows;

**Kegalle Swimming Club  
Receipts and Payments account  
for the year ended 31<sup>st</sup> March 2017**

	Rs.		Rs.
Cash and bank balance c/f	2,600	Rent Expenses	2,250
Members' subscription	10,500	Legal fee	1,600
Sale of swimming meet tickets	11,250	Swimming coacher's fee	4,500
Donations (Revenue Nature)	3,550	Maintenance cost of pool	6,100
		Prizes for swimming meet	7,200
		Stationary and printing costs	1,800
		Balance c/d	4,450
	27,900		27,900

The details of assets and liabilities as at 31<sup>st</sup> March are given below;

	Rs. <u>31.03.2017</u>	Rs. <u>31.03.2016</u>
Equipment (written down value)	1,250	1,850
Subscriptions in arrears	750	1,150
Subscriptions received in advance	150	270
Prepaid Rent	250	100
Creditors-Prizes for swimming meet	300	150
Stock of Prizes of swimming meet	420	530

**Required;**

- Swimming Meet profit and loss Account
- Members Subscription Account
- Income and Expenditure account of Kegalle Swimming Club for the year ended 31st March 2017.

(13 Marks)

**(Total 15 Marks)**